STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 6851

Investigation into Green Mountain Power Corporation's Successor Service Quality and Reliability Performance, Monitoring and Reporting Plan	)))	Hearing at Montpelier, Vermont June 4, 2003

Order entered: 6/18/2003

PRESENT: Ann Bishop, Hearing Officer

APPEARANCES: Donald J. Rendall, Jr., Esq.
for Green Mountain Power Corporation

Sarah Hofmann, Esq.
for Vermont Department of Public Service

I. Introduction

In this Proposal for Decision, I recommend that the Public Service Board ("Board") approve: (1) a Memorandum of Understanding ("MOU") between Green Mountain Power Corporation ("GMP") and the Vermont Department of Public Service ("DPS") that was filed with the Board on May 15, 2003; and (2) GMP's Successor Service Quality and Reliability Performance, Monitoring and Reporting Plan ("Successor Plan") as filed with the Board on May 19, 2003,[1] with one modification. This modification relates to the process to be followed for the review of GMP's service quality compensation calculation, proposed credit methodology and customer communication, as provided for in Section V, Paragraph 8 of the Successor Plan. I recommend that the Board modify this process, so that GMP's filing will be deemed accepted and approved only if the DPS does not file an objection within 30 days of GMP's filing, *and* the

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1. The MOU had a version of the Successor Plan attached that contained typographical errors. Pursuant to GMP's request, the Successor Plan filed on May 19, 2003, (in which the typographical errors were corrected) replaced the earlier version.

Board does not take action to examine GMP's filing within 15 days after the filing deadline for any objection by the DPS.

II. Background and Procedural History

On May 3, 2001, in Docket 6107, the Board approved a Final Service Quality and Reliability Performance Monitoring and Reporting Plan for GMP. This plan set out standards for measurement of GMP's customer service, safety, and reliability performance, and was to be in effect for two years from the date it was approved by the Board. On August 14, 2001, April 2, 2002, and September 12, 2002, the Board approved additional baselines for some performance standards.[2] The April 2, 2002, Order also modified two performance standards and several service guarantees included in the plan. In this Proposal for Decision, I refer to the plan approved by the Board on May 3, 2001, as modified by the Board's August 14, 2001, April 2, 2002, and September 12, 2002, Orders, as the "Current Plan," as it is the plan that is in effect today.

In accordance with the provisions of the Current Plan, on May 15, 2003, GMP filed the MOU that included a proposed Successor Plan. On May 19, 2003, GMP filed a new version of the Successor Plan that corrected several typographical errors. This Successor Plan includes new standards by which GMP's customer service, safety, and reliability performance are to be measured. The proposed Successor Plan also includes service guarantees[3] and a mechanism for calculating additional compensation to customers if GMP does not meet certain performance standards.

On May 23, 2003, the Board opened this investigation and appointed me as Hearing Officer. Attached to the opening order were a series of questions I had for the parties after reviewing the proposed Successor Plan.

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2. Docket 6107, Orders of 8/14/01, 4/2/02, and 9/12/02.

3. Service guarantees require GMP to provide specified bill credits to individual customers if GMP fails to meet certain service commitments to those customers.

On June 4, 2003, a Technical Hearing was held at which GMP and the DPS presented evidence supporting Board approval of the MOU and the proposed Successor Plan,[4] and responded to my questions. No one appeared in opposition to the MOU or the proposed Successor Plan.

III. FINDINGS

1. Under Paragraph 2 of the MOU, beginning the first day of the first quarter following the Board's order approving the Successor Plan, GMP will measure and report its customer service, safety and reliability standards as detailed in the Successor Plan. MOU at ¶ 2.

2. The Successor Plan includes specific indices and baseline levels for performance standards in seven broad areas of customer service: call answering, billing, meter reading, work completion, customer satisfaction, worker safety, and reliability. Successor Plan at Section III, *generally*.

3. While the broad areas of customer service measured in the Successor Plan are the same as those measured in the Current Plan, the specific indices and baseline levels in the Successor Plan are not identical to those in the Current Plan because:

> (1) the Current Plan was the first service quality plan approved by the Board for an electric utility, and lessons have been learned about the design of service quality plans since then;
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> (2) the starting point for the parties' discussions regarding the Successor Plan was the service quality plan now in effect for Central Vermont Public Service Corporation ("CVPS"), because that plan was written and approved by the Board subsequent to GMP's Current Plan and it incorporated some of the lessons learned about the design of service quality plans; and

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4. The Successor Plan is Attachment A to the MOU. The Successor Plan also has an Attachment A and an Attachment B. The MOU, the Successor Plan and the Successor Plan's attachments were admitted into evidence as a single exhibit (exh. Joint-1). For ease of reference in this Proposal for Decision, I cite to individual paragraphs or sections in either the MOU or the Successor Plan, rather than to page numbers in the exhibit. In addition, when I use the terms "Attachment A" and "Attachment B," I am referring to the attachments to the Successor Plan.

> (3) the parties recognized the value of uniformity in service quality plans, particularly for Vermont's two large investor-owned utilities, and therefore the negotiations included CVPS in addition to GMP and the DPS.[5]

Tr. 6/4/03 at 9–11 (Frankel).

4. Industry averages are not available for all of the performance standards included in the Successor Plan. However, for those standards for which industry averages are available, the baselines included in the Successor Plan are consistent with, or more stringent than, those averages. Tr. 6/4/03 at 76–77 (Frankel); tr. 6/4/03 at 41 (Litkovitz).

5. The baselines included in the Successor Plan fall within the range of baselines that have been approved for electric utilities in other states. Some electric utility service quality plans in other states have significantly more stringent baselines while others have significantly less stringent baselines. Tr. 6/4/03 at 76–77 (Frankel).

6. The specific performance standards and baselines in the Successor Plan will allow GMP's performance to be measured to determine whether it is providing "reasonably adequate service" as required by 30 V.S.A. § 219. Tr. 6/4/03 at 7–8 (Frankel); findings 2–5, above.

7. The Successor Plan includes service guarantees which require GMP to provide specified bill credits to individual customers if GMP fails to meet certain service commitments to those customers. Successor Plan at Section IV, *generally*.

8. The service guarantees in the Successor Plan include all those contained in the Current Plan plus additional guarantees. Tr. 6/4/03 at 55 (Julius).

9. The Successor Plan includes a service quality compensation mechanism. This mechanism requires GMP to provide additional compensation to customers if certain performance standards are not met. The Successor Plan specifies how to calculate "service quality compensation points," divides the service quality compensation points into two categories (reliability and other measures), and provides a sliding scale for determining the dollar value

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5. CVPS is not a party to this Docket and there is nothing currently pending before the Board related to a new service quality plan for CVPS. However, CVPS's current service quality plan requires CVPS to negotiate with the DPS regarding a successor plan which must be filed with the Board on or before August 4, 2003. *See* Dockets 6120/6460, Order of 10/3/01 at 2–3.

assigned to the service quality compensation points in each category.[6] Successor Plan at Section V and Attachment B, *generally*.

10. Customers consider the reliability of their electric service to be more important than the other areas of customer service measured by the Successor Plan. Dividing the service quality compensation points into two categories allows greater weight to be placed on the two reliability performance standards than on the other performance standards for which service quality compensation points can be assigned. Tr. 6/4/03 at 58–59 (Frankel).

11. It is appropriate to assess service quality compensation dollars on a sliding scale in order to reflect the concept that the more serious the service quality and reliability problem, the more costly it should be for GMP. Tr. 6/4/03 at 59 (Frankel).

12. According to the Successor Plan, the maximum service quality compensation dollars to be paid by GMP in one year is $750,000, and any service quality compensation dollars to be paid by GMP will be offset by any monies paid to customers through the service guarantees included in the Successor Plan. However, there is no limit on the amount of money that could be paid to customers as a result of the service guarantees. Successor Plan at Section V, ¶¶ 3 and 7; tr. 6/4/03 at 64 (Frankel).

13. $750,000 is a reasonable cap on the maximum service quality compensation dollars to be paid by GMP in one year. This amount is approximately equal to 75 basis points of GMP's 2002 earnings. This scale is proportionate to past Board decisions regarding utility management issues. Tr. 6/4/03 at 61–62 (Frankel); Dockets 5701/5724, Order of 10/31/94 at 165–166; Docket 4997, Order of 12/9/85 at 10.

14. Service quality compensation dollars will be calculated annually in the month following the anniversary of the effective date of the Successor Plan, and will be paid to active customers by a one-time credit. As far as practicable, service quality compensation dollars will be paid to those active customers who were affected by the service deterioration. Successor Plan at Section II, ¶ 5, and Section V, ¶ 6.

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6. The Successor Plan refers to the dollar value assigned to the service quality compensation points as "service quality compensation dollars." In this Proposal for Decision, the term "service quality compensation dollars" has the same meaning.

15. At the time GMP files its quarterly report in the month following the anniversary date of the Successor Plan, GMP will file its calculation of the service quality compensation dollars, its proposal for which customers will receive the service quality compensation dollars, and its proposal for communicating to its customers about its service performance over the prior year. Under the terms of the Successor Plan, the DPS must file any objection it has to any of these items within 30 days after GMP files its proposals. Successor Plan at Section V, ¶¶ 6 and 8.

16. The Successor Plan will remain in effect from the beginning of the first quarter following Board approval until modified by subsequent Board order. Under the terms of the Successor Plan, GMP and the DPS will review the Successor Plan after it has been in effect for one year and every two years thereafter to determine if any modifications of measurements or performance levels are needed. GMP or the DPS may petition the Board for modifications of measurements or performance levels at any time during the life of the Successor Plan. Successor Plan at Section I, ¶ 4.

IV. Discussion

When considering whether to recommend that the Board approve GMP's Successor Plan, I examined the Board's prior statements regarding its authority to approve service quality plans. As the Board stated in Dockets 6120/6460:

> Section 219 of Title 30 requires electric utilities (and other regulated companies) to "furnish reasonably adequate service, accommodation and facilities to the public." Vermont law gives this Board the authority to set standards regarding this utility obligation. Specifically, 30 V.S.A. § 209(a)(1) gives this Board jurisdiction over "[t]he . . . quality of any product furnished or sold by any company subject to supervision under this chapter," and 30 V.S.A. § 209(a)(3) provides jurisdiction over "[t]he manner of operating and conducting any business subject to supervision under this chapter, so as to be reasonable and expedient, and to promote the safety, convenience and accommodation of the public[.]" Taken together, these statutory provisions establish the basis for service quality and reliability standards by which the adequacy of service can be measured in order to determine whether a company is, in fact, providing "reasonably adequate

service" and is operating its business in a "reasonable and expedient" manner that "promotes the safety, convenience, and accommodation of the public."[7]

I am persuaded by the evidence in this Docket that the service quality and reliability standards included in GMP's Successor Plan do just that — they enable the Board to measure GMP's performance in certain areas that are important to customers, and thus to ascertain whether GMP is providing "reasonably adequate service." In addition, the Successor Plan's service guarantee and service quality compensation point provisions promote the "convenience and accommodation of the public." Thus I conclude that GMP's Successor Plan will help the Board monitor whether GMP's performance is consistent with its statutory obligations. This is a clear benefit to customers.

The Board has previously found that service quality plans provide a variety of other benefits to customers, including, among others: supplying public information on the level of service a company is providing; supplying data which is comparable to that reported by other electric companies in Vermont; the establishment of a database from which to set future, more stringent targets; the provision for the waiver of fees for missed service appointments; and "expected financial penalties in the Successor Plan to be adopted after two years."[8] I find that GMP's Successor Plan provides all these benefits to customers, including financial penalties through the service quality compensation mechanism.

For these reasons, I recommend that the Board approve GMP's Successor Plan. However, there are several issues associated with GMP's Successor Plan that deserve additional discussion: (1) differences between the Successor Plan and the Current Plan; (2) the service quality compensation mechanism; and (3) the issue of how estimated bills are treated by the performance standards. I will address each of these in turn.

<u>Differences Between the Successor Plan and the Current Plan</u>

Since the Board has previously approved the Current Plan, when reviewing the Successor Plan it is appropriate to consider the substance of, and reasons for, the differences between the

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7. Dockets 6120/6460, Order of 6/26/01 at 44.

8. *See*, e.g., Dockets 6120/6460, Order of 6/26/01 at 45.

Successor Plan and the Current Plan. The broad framework of the Successor Plan is similar to that of the Current Plan. Both plans measure the same key areas of interest to consumers. However, there are many differences between the two plans. The most obvious difference is that the Successor Plan includes a service quality compensation mechanism while the Current Plan does not.[9] Other differences include changes to individual performance standards and baselines, as well as new service guarantees.

As a result of these changes, in some areas the Successor Plan is more stringent than the Current Plan, while in other areas the Successor Plan is less stringent. For example, Performance Standard 1.a (Call Answering Service Level) in the Successor Plan measures the percentage of customers not reaching a company representative *within 20 seconds* during normal business hours excluding outage calls, while the comparable standard in the Current Plan measures the percentage of customers reaching a company representative *within 30 seconds* during normal business hours excluding outage calls. At the same time, the baseline for this performance standard is significantly more stringent in the Successor Plan.[10] On the other hand, Performance Standard 2.a (Percentage of Bills Not Rendered Monthly) in the Successor Plan measures the percent of bills not rendered *within seven days* of the scheduled billing date, while the comparable standard in the Current Plan measures the percent of bills rendered *within five days* of the scheduled billing date. In addition, the baseline for this performance standard is less stringent in the Successor Plan (but still well within the range approved by the Board for other electric utilities).[11]

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9. The addition of this mechanism is a significant improvement over the Current Plan, and I will discuss the mechanism in more detail in the following section.

10. The baseline in the Successor Plan is <=25 percent, while the baseline in the Current Plan for the second year that plan is in effect is >=70 percent. Since the standard in the Successor Plan is stated in the negative (number of calls *not* reaching a company representative) while the standard in the Current Plan is stated in the positive (number of calls that *do* reach a company representative), it is necessary to compare the baseline in the Successor Plan with the converse of the baseline in the Current Plan. That is, >=70 percent of calls reaching a customer representative is equivalent to <=30 percent of calls *not* reaching a customer representative. Thus, the appropriate comparison is between a baseline of <=25 percent in the Successor Plan and an equivalent baseline of <=30 percent in the Current Plan.

11. The baseline in the Successor Plan is <=0.10 percent, while the baseline in the Current Plan is 100 percent. As with the previous example, it is necessary to compare the baseline in the Successor Plan with the converse of the baseline in the Current Plan. Thus, the appropriate comparison is between a baseline of <=0.10 percent in the

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The parties have given several reasons for the changes to the standards and the baselines. First, the Successor Plan incorporates the lessons that have been learned about the design of service quality plans since GMP's Current Plan was approved over two years ago.[12] One example of such a lesson is that worker safety measures tend to be quite volatile from one year to the next, and it is reasonable to build in a buffer to account for this expected volatility.[13] A second example of such a lesson is that as electric companies focus more on measuring and reporting reliability, more reliability problems are reported. Consequently, the reliability *numbers* look worse, even though actual *performance* might not be changing. This has happened consistently both with companies here in Vermont and companies outside the state, and it is reasonable to take this into account.[14]

Second, the basis for the design of the Successor Plan was the service quality plan currently in effect for CVPS, not GMP's Current Plan. This is because CVPS's current service quality plan already incorporated some of the lessons learned from GMP's original experience with the Current Plan.

Third, in response to concerns raised by the Board in other dockets, the DPS was striving for more uniformity between GMP's and CVPS's service quality plans.[15] The Board has previously found that one of the benefits of service quality plans is the provision of standardized comparison data on different utilities' service quality and reliability.[16] This benefit will be enhanced by greater similarity between the performance standards and baselines included in each utility's service quality plan.

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11. (...continued)
Successor Plan and an equivalent baseline of zero in the Current Plan.

12. In this context, it is significant to note that GMP's Current Plan was the first service quality plan approved for an electric utility in Vermont.

13. Tr. 6/4/03 at 41-42 (Litkovitz). Even though the baseline for Performance Standard 6.1 (Lost Time Incident Rate) in the Successor Plan of <=3.5 is higher than the Current Plan's baseline of <=2.4, the new baseline is still less than the industry average for the last six years combined of 5.7, and less than the annual industry average in five of those six years. Tr. 6/4/03 at 41 (Litkovitz).

14. Tr. 6/4/03 at 42-43 (Litkovitz).

15. Even though CVPS is not a party to this docket, it was involved in the negotiations that led to the development of the Successor Plan. I commend GMP, CVPS, and the DPS for their participation in trilateral negotiations regarding the next generation of service quality plans. This type of collaborative effort is efficient and provides real benefits to ratepayers.

16. Dockets 6120/6460, Order of 6/26/01 at 45.

Taken as a whole, I am persuaded by the parties' arguments that the changes to the performance standards and baselines from the Current Plan to the Successor Plan are reasonable, even in those instances where the changes result in the standard in the Successor Plan being less stringent than in the Current Plan. In reaching this conclusion, I place considerable weight on:

> (1) the statutory requirement that electric utilities provide "reasonably adequate service;"[17]
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> (2) the Board's statement in Dockets 6120/6460 (quoted above) that service quality and reliability standards should enable a company's performance to be measured in order to determine whether the company is meeting this statutory obligation; and
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> (3) the fact that GMP will pay a financial penalty if its performance falls below the levels provided for in the Successor Plan, but GMP cannot earn a financial reward if its performance meets or exceeds the levels provided for in the Successor Plan.

I find that the performance standards and baselines included in the Successor Plan are appropriate for determining whether GMP is providing "reasonably adequate service."[18]

There is a difference between setting service quality *goals* that have no financial consequences or that result in financial incentives to a company if they are met, and service quality *standards* that result in a company paying financial penalties if they are not met. In this context, service quality goals should be set very high. They should be difficult to achieve; their attainment should be considered a real accomplishment, and a company should not be penalized for failing to meet them (unless one considers failing to earn an incentive to be a penalty). This is in contrast to service quality standards that should be set high enough to provide customers with good service. It should be expected that a company will provide its customers with good service; a company should not be rewarded for meeting such standards, but it is appropriate for a company to be penalized if it does not.

Nevertheless, what constitutes "good service" changes over time. The Board recognized this when it stated in previous orders approving other electric utility service quality plans that one

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17. 30 V.S.A. § 219.

18. "Reasonably adequate service" is not the same as excellent service. More stringent performance standards and baselines would be necessary if the Successor Plan were to provide GMP with a financial reward for excellent performance.

of the benefits of a service quality plan is the establishment of a database from which to set future, more stringent targets.[19] Industry standards and norms change, and Vermont's utilities should be expected to continually improve the quality of service that they provide their customers.

The Successor Plan requires GMP and the DPS to review the Successor Plan "after it has been in effect for one year and every two years thereafter to determine the need for any modifications of measurements or performance levels."[20] Thus a mechanism is in place to evaluate on a regular basis whether the standards and baselines are still appropriate, and to consider whether the standards should be raised. I conclude that this regular review should ensure that the Successor Plan's standards and baselines are updated and improved when it is appropriate to do so.

Service Quality Compensation Mechanism

The Successor Plan includes both service guarantees and a service quality compensation mechanism that provides for additional payments to customers affected by deteriorations in GMP's service. According to the DPS, the guiding principle in this area is that as much compensation as possible should be paid to customers directly affected by service failures. Service guarantees accomplish this very well. However, not all measures are well suited to service guarantees, and service guarantees return dollars to customers starting with the utility's first failure, rather than providing the utility with a margin of error that has no financial consequence. As a result, the Successor Plan incorporates a hybrid approach: service guarantees for low-incidence measures that affect identifiable customers, and a points-based approach for large-scale measures (such as phone answering and reliability) where it is hard to identify specific individuals who were affected.[21]

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19. *See*, e.g., Dockets 6120/6460, Order of 6/6/01 at 45.
20. Successor Plan at Section I, ¶ 4.
21. Tr. 6/4/03 at 56–58 (Frankel).

GMP's Current Plan includes several service guarantees. All these service guarantees are included in the Successor Plan, along with additional new service guarantees.[22] I commend GMP and the DPS for negotiating this comprehensive list of service guarantees.

The Successor Plan's service quality compensation mechanism is a new element for a Vermont electric utility's service quality plan, although it is modeled after the service quality index that was approved by the Board for Verizon New England Inc., d/b/a Verizon Vermont ("Verizon"), in connection with its alternative regulation plan.[23] The Successor Plan specifies how to calculate service quality compensation points, divides the service quality compensation points into two categories (reliability and other measures), and provides a sliding scale for determining the dollar value assigned to the service quality compensation points in each category. I find this mechanism to be appropriate for the following reasons:

> (1) by dividing the service quality compensation points into two categories, the Successor Plan places more weight on the reliability standards which are the most important measure of GMP's service quality;
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> (2) by using a sliding scale for the compensation, there is a direct connection between the size of the service quality problem and the financial consequences of that problem; and
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> (3) by excluding low-incidence measures from the calculation of service quality compensation points, the risk that very small numbers of incidents could result in very large fines is eliminated.[24]

The maximum amount that GMP will pay to customers each year as a result of the service quality compensation mechanism is $750,000. This amount will be offset by any monies paid to customers through the Successor Plan's service guarantees.[25] I am persuaded that $750,000 is a reasonable annual cap for the service quality compensation to be paid to customers. The cap should be set at a level that provides an appropriate incentive to management to ensure against

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22. Tr. 6/4/03 at 55 (Julius).

23. Tr. 6/4/03 at 58 (Frankel). The Board approved Verizon's alternative regulation plan in its March 24, 2000, Order in Dockets 6167/6189.

24. Tr. 6/4/03 at 58–60 (Frankel). Instead, service guarantees have been established for those low-incidence measures. Tr. 6/4/03 at 60 (Frankel).

25. However, there is no cap on the amount of money that could be paid to customers as a result of the service guarantees.

service deterioration.[26] $750,000 is approximately equal to 75 basis points of GMP's 2002 earnings; that scale is proportional to penalties imposed by the Board in other Dockets for management failures.[27] Thus, even though the Successor Plan does not directly link the financial consequences of service quality problems to GMP's return on equity, the scale of the cap is consistent with previous Board policy, and I find it to be reasonable.

The Successor Plan also specifies the process that will be followed for determining the amount of service quality compensation dollars that should be returned to customers each year, as well as the particular customers who will receive the dollars. Each year, in the month following the anniversary of the Successor Plan, GMP will calculate the amount of service quality compensation dollars that it believes are owed to customers. GMP will file this calculation, along with its proposed credit methodology (i.e., which customers should receive the credits) and customer communication, at the time of its quarterly filing in the month following the anniversary date of the Successor Plan. The DPS then has 30 days to file any objection to any of these items. According to the Successor Plan, if the DPS does not file an objection within 30 days, GMP's filing "will be deemed accepted and approved."[28] The Successor Plan does not explicitly provide for Board review of GMP's filing.

The parties explained that this process is identical to what was approved by the Board for Verizon in its service quality plan, and that the process has worked well during the years when Verizon has had to pay service quality compensation to its customers.[29] Nevertheless, I conclude that it would be helpful to explicitly recognize the Board's responsibility to review GMP's filing,

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26. Even though I use the term "incentive to management", it must be clearly understood that the service quality compensation mechanism does not provide any way for GMP to earn additional money for shareholders (although it does allow GMP to carry forward a limited number of negative service quality compensation points if GMP meets all baselines and exceeds certain performance standards by more than 10 percent). Rather, the service quality compensation mechanism only provides for a penalty to be assessed. This distinction is important because of the levels at which the baselines have been set. It is appropriate to penalize a company that does not meet minimum performance standards; it would <u>not</u> be appropriate to financially reward a company for meeting those same standards. Rather, the baselines would need to be set significantly higher, at a level that corresponds to excellent service, in order for it to be appropriate for a company to earn a financial incentive for service quality.

27. Tr. 6/4/03 at 61–62 (Frankel). *See*, e.g., Dockets 5701/5724, Order of 10/31/94 at 165–166; Docket 4997, Order of 12/9/85 at 10.

28. Section V, Paragraph 8, of the Successor Plan.

29. Tr. 6/4/03 at 65 (Frankel).

while at the same time providing a mechanism that allows for a quick and final resolution of any issues. Therefore, I recommend that the Board modify the process contained in the Successor Plan, so that GMP's filing will be deemed accepted and approved only if the DPS does not file an objection within 30 days of GMP's filing, *and* the Board does not take action to examine GMP's filing within 15 days after the filing deadline for any objection by the DPS. This recommendation was discussed at the technical hearing, and the parties stated that they did not object to such a modification of the Successor Plan.[30]

Estimated Bills

When I first reviewed the Successor Plan, I was concerned about the way the Plan treats estimated bills. This is a significant service quality issue for GMP's customers because GMP reads the meters for a majority of its customers once every two months, and it sends estimated bills to all customers whose meters were not read that month. Performance Standard 2.b (Bills Found Inaccurate) excludes bills found to be inaccurate strictly as a result of estimation. While I understood, and agreed with, the need to exclude bills that are inaccurate simply because a customer's usage was different from a reasonable estimate, I was concerned that, as drafted, Performance Standard 2.b did not provide GMP's management with an appropriate incentive to ensure that estimated bills were accurate. However, the parties have persuaded me that it is not necessary for the Successor Plan to include a standard specifically related to the accuracy of estimated bills.

First, and most persuasively, just because a bill is estimated does not mean that Performance Standard 2.b does not apply to it. On the contrary, an estimated bill may be incorrect for reasons other than usage. For example, the customer charge may have been calculated incorrectly, or the bill includes a demand charge when it should not. In those cases, the bill would be counted as an inaccurate bill even though it is an estimated bill.[31]

30. Tr. 6/4/03 at 71 (Hofmann); tr. 6/4/03 at 71 (Rendall). Both parties did note their desire for prompt payment of any monies owed to customers. That is, payment of any penalties should be linked as closely in time as possible to service performance. I agree with this goal, and conclude that it would not be frustrated by allowing the Board 15 days to review GMP's filing. *Id*.

31. Tr. 6/4/03 at 36 (Frankel).

Second, GMP recognizes the importance of using reasonable estimates to calculate customers' bills, and has a process in place to improve the accuracy of its estimation software. GMP tracks and trends estimated bills that need to be adjusted, estimated bills that show up on "out of range" reports, and the number of complaints about estimated bills. Then, when one of those indicators shows a need to change the estimation algorithm, or when GMP develops an improvement to the algorithm, GMP changes its estimation software.[32] This process has resulted in three changes to GMP's estimation software since 2000.[33]

Third, while both the DPS and GMP have received complaints about estimated bills, the number of complaints does not appear to indicate a serious problem. The DPS classifies customer complaints as either "escalations" or "grievances."[34] Six percent of the "escalations," and five percent of the "grievances," received from GMP customers since the beginning of 2002 concerned estimation. According to the DPS, these numbers are "significant" but not "overwhelming."[35] GMP stated that it received 18,000 billing inquiry calls over the last 12 months, and 1.8 percent of those related to estimation (either that a customer did not like estimation generally, or that a customer was concerned about a particular estimate). GMP also stated that the number of complaints it has received related to estimation has dropped considerably in each year since GMP began using estimation in 2000, falling from approximately 1,700 complaints in 2000, to 335 in 2002.[36] This trend is encouraging, although the DPS correctly points out that improvements to GMP's estimation system might not be the only reason for the drop in the number of complaints GMP has received related to estimation.[37]

Fourth, the DPS is working toward standardizing electric utility service quality plans. Since GMP is the only electric utility that regularly sends customers estimated bills, the accuracy

32. Tr. 6/4/03 at 26–27 (Julius).

33. Tr. 6/4/03 at 28 (Julius).

34. An escalation is a situation in which the DPS determines the utility company should have done something differently. A grievance is a situation in which an investigation by the DPS is not warranted, or in which there was nothing the DPS could do, or in which the DPS determines the utility company could not or should not have done anything differently. Tr. 6/4/03 at 30–31 (Frankel).

35. Tr. 6/4/03 at 30–31 (Frankel).

36. Tr. 6/4/03 at 25–26 (Julius).

37. Another possible reason is that as time has passed from the time GMP began sending estimated bills, customers have become more resigned to it. Tr. 6/4/03 at 29 (Frankel).

of its estimation software is an issue that relates only to GMP, and is not an area where performance will be compared across utilities.[38] Therefore, the DPS argues that if it is necessary to address either GMP's general estimation policy or the accuracy of its estimation algorithm, this should be done in a forum specifically focused on that issue, not in its service quality plan.[39] Counsel for GMP agreed, and committed GMP to continuing to work with the DPS on its estimation processes.[40] My decision not to recommend that the Successor Plan be modified to include a performance standard specifically focused on the accuracy of estimated bills relies, in part, on this commitment by GMP.

V. Conclusion

In conclusion, I find that GMP's Successor Plan offers significant benefits to GMP's customers. As a result, I recommend that the Board approve: (1) the MOU between GMP and the DPS that was filed on May 15, 2003; and (2) GMP's Successor Plan as filed with the Board on May 19, 2003, with one modification. This modification relates to the process to be followed for the review of GMP's service quality compensation calculation, proposed credit methodology and customer communication, as provided for in Section V, Paragraph 8 of the Successor Plan. I recommend that the Board modify this process, so that GMP's filing will be deemed accepted and approved only if the DPS does not file an objection within 30 days of GMP's filing, *and* the Board does not take action to examine GMP's filing within 15 days after the filing deadline for any objection by the DPS.

This Proposal for Decision has been served on all the parties to this proceeding in accordance with 3 V.S.A. § 811.

Dated at Montpelier, Vermont this 18th day of June, 2003.

s/Ann Bishop
Ann Bishop
Hearing Officer

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38. Tr. 6/4/03 at 31–32 (Frankel).
39. Tr. 6/4/03 at 31–32 (Frankel).
40. Tr. 6/4/03 at 32 (Rendall).

VI. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The findings and conclusions of the Hearing Officer are adopted.

2. The Memorandum of Understanding between Green Mountain Power Corporation ("GMP") and the Vermont Department of Public Service ("DPS") that was filed on May 15, 2003, is approved.

3. GMP's Successor Service Quality & Reliability Performance, Monitoring & Reporting Plan ("Successor Plan") is approved as filed on May 19, 2003, with the following modification to Section V, Paragraph 8: GMP's service quality compensation calculation, proposed credit methodology and customer communication shall be deemed accepted and approved only if the DPS does not file an objection within 30 days of GMP's filing, and the Board does not take action to examine GMP's filing within 15 days after the filing deadline for an objection by the DPS.

4. GMP shall file such tariff amendments as are necessary to implement the service guarantees contained in Section IV of the Successor Plan within 30 days of the date of this Order.

5. This docket shall be closed.

Dated at Montpelier, Vermont, this 18th day of June, 2003.

s/Michael H. Dworkin	)	
	)	PUBLIC SERVICE
	)	
s/David C. Coen	)	BOARD
	)	
	)	OF VERMONT
s/John D. Burke	)	

OFFICE OF THE CLERK

FILED: June 18, 2003

ATTEST: s/Susan M. Hudson

Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: Clerk@psb.state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.